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FUEL OIL NEWS

- Annual Industry Study
- Supplier Directory
- Association Roll Call

A Hunter Publication December 1989

THE 1990 SOURCE B·O·O·K

December 1989 Vol. 54/No. 12

FUEL OIL NEWS

1990 SOURCE BOOK

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COVER:
This year marks an even dozen for our annual industry survey, which means we can go back and take a look at some of the trends that have developed since we began reporting our findings. Of course, we again present the industry's most comprehensive directory of manufacturers, suppliers and services for heating oil dealers. *Cover design by Craig Reuter.*

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The Oil Heat Industry: 1989

Our 12th annual profile of marketers.

By George Schultz,
Executive Editor

A dozen. That's how many of these studies we've completed since *Fuel Oil News* instituted its annual "Source Book" issue back in December 1978. In that time span we've seen the industry evolve from an almost exclusive oil heat business to a more diversified, broad-based field involving marketers who sell a variety of heating and motor fuels.

We've witnessed the roller coaster effect on volumes caused by oil shortages, competitive fuel intrusions and mild weather and we've documented many trends in computerization, fuel treatment and equipment sales. In all, we have provided the industry with important statistics that have helped and will continue to help marketers and industry suppliers in decision making concerning the future of their businesses.

As always, we have to thank our readers for assisting us in the development of the statistics contained in the many tables herein. Each fall we mail out rather complicated questionnaires to a selected sample of marketers throughout the U.S. These forms contain more than 150 questions, covering virtually every aspect of their operation. We're always amazed at the excellent responses that we receive from marketers, far above what so-called experts claim is the maximum one can anticipate from such a survey.

Occasionally we hear some criticism about our survey because of the methods used. The argument is that questionnaires are only returned by the "better" marketers, those who are most active in the industry, who are most conscious of the value of media attention. This, the critics claim, skews the resulting statistics because the raw data isn't an accurate cross-section of the industry.

Maybe they're right. However, we don't know of any other method that wouldn't cost many thousands of dollars. The U.S. Census Bureau performs a number of special surveys in which representatives are personally sent to selected firms to obtain facts. Some private consulting firms also use this technique. It's tremendously expensive and there isn't any guarantee that the results would be any different than the methods we employ.

In any event, thanks to the many marketers who completed our questionnaire, whether they're "better" dealers or just Joe Average. Until somebody comes along with something better, we'll stand behind these figures as an accurate assessment of the heating oil industry and the many thousands of people who earn their livings in it.

TABLE 1
Type of Petroleum Sold
(% of readers)

	Fuel Oil	Gasoline
New England	97.7	30.2
Mid-Atlantic	100	32.6
South	88.4	81.4
Midwest	97.7	83.7
West	93	76.7
All Sections	95.4	60.9

TABLE 2
Petroleum Revenue as a Percent of Total Business Income

New England	71.9
Mid-Atlantic	82
South	86
Midwest	70
West	86.9
All Sections	79.4

Who Are They?

We always start off our survey by trying to ascertain what businesses our respondents pursue. **Table 1**

TABLE 3
Sources of Business Income
(% of total business income)

	FUEL OIL				GASOLINE			
	Retail		Bulk		Retail		Bulk	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
New England	97.7	*	9.3	7	16.3	14	11.6	7
Mid-Atlantic	97.7	*	11.6	18.6	20.9	9.3	11.6	9.3
South	62.8	14.6	30.2	20.9	48.8	20.9	44.2	11.6
Midwest	69.8	33.3	44.2	32.6	55.1	16.5	44.2	30.2
West	44.2	25.6	41.9	18.6	48.8	11.6	55.8	9.3
All Sections	74.4	14.7	27.4	19.5	38	14.5	33.5	13.5

* - Less than .1%

TABLE 4
Petroleum Products Sold
(% of total volume)

	No. 2	No. 1	No. 4	Nos. 5&6	No. 2 for Diesel	Gasoline	Lpg/Lng	Other
New England	80.7	3.2	0.4	*	9.2	7.3	0.5	0.3
Mid-Atlantic	76.1	3.2	0.4	0.1	8	9.9	0.8	1.5
South	42.2	11.3	0.2	0.2	18	36.6	2.3	0.7
Midwest	28.8	7.7	2.2	0.4	25.6	35.6	2.4	1.3
West	39.5	6.2	*	*	32.8	31.4	2.3	1.4
All Sections	53.5	6.3	0.6	0.1	18.7	24.2	1.7	1

* - Less than .1%

shows that 95.4% of the people answering our questionnaire sell fuel oil, and 60.9% of them also sell gasoline.

In past years we've made a big deal over the fact that the gasoline portion was slowly accelerating, suggesting that marketers were becoming more diversified. **Figure 1** shows that the gasoline percentage seems to be cyclical – it went up after our initial survey in 1978, then fell for the next two years, shot back up in 1982, then fell for three years and jumped up again in '86. It's been on a downward slide since then.

Market conditions were very much a factor in this phenomenon. In '79 there was a gasoline shortage, and accompanying price escalation. Marketers were quick to take advantage of that by selling more motor fuel. In '82 we were in the midst of the first oil glut; motorists were tired of conserving and started to drive more so marketers sold more gasoline. The same thing happened in '86, when pump prices dropped to the lowest point in several years, thereby increasing demand and marketer sales.

The percentage of respondents who sell fuel oil has stayed pretty much even over the 12 year period. Actually, this year's figure of 95.4% is the lowest we've ever recorded. There has been an influx in the number of equipment installation and service companies in the industry, which probably accounts for the other 4.6% answering the questionnaire.

Note that the regional percentages continue to show the same trends as in past years, particularly in the gasoline category. Marketers outside the Northeast are much more likely to sell gasoline than their counterparts in New England and the Mid-Atlantic.

TABLE 5
Average Size of Business

	Home Fuel Oil Accts	No. of C/I Accts	Gals. of Distillate	Gals. of Residual	Gals. of Gasoline	No. of Empls
New England	2,044	292	1,935,235	218,059	636,765	18.6
Mid-Atlantic	2,213	260	2,211,944	476,389	2,366,972	14.1
South	690	87	1,458,685	165,343	1,788,160	8.9
Midwest	678	231	1,624,027	I.D.	1,340,206	9.6
West	1,190	301	1,735,452	143,548	1,146,032	8.2
All Sections	1,363	238	1,793,069	250,834	1,455,627	11.9

I.D. - Insufficient Data

TABLE 6
Annual Heating Oil Sales by Types of Customers
(% of total customers served)

	Private Homes	Apts	Education	Hospitals	Commercial	Indus
New England	81	5.4	1.9	0.4	7.1	0.5
Mid-Atlantic	83.9	5.4	1	0.5	5.1	1.3
South	79.9	0.9	2	1.1	14.3	1.8
Midwest	74.1	1	1.8	0.8	17.5	3.3
West	81.5	1.7	1.7	0.4	10.4	5.2
All Sections	80.1	2.9	1.7	0.6	10.9	2.8

The Mid-Atlantic number is actually about 18 percentage points below last year's average, and New England is off about 6%. This is the case despite the fact that the winter of 1988-89 was one of the warmest on record with little or no snow throughout the Northeast. You would have thought that would have prompted people to use their cars more and their heating systems less.

Table 2 shows a slight downward change from our last survey, of about 4%. Does this mean that more marketers are relying on non-petroleum product and service revenue? Perhaps, but it's difficult to say this with confidence because a 4% swing is something less than one standard deviation. The West was actually up eight points from 1988, and the South was up about 1.5%. These increases were offset by reductions in the other sections, notably the Midwest, which was down 16% from last year, and New England, which dropped 10%.

This year is the sixth time we've asked this question and this is the lowest percentage we've recorded. Last year's 83.4% was actually the second highest number – dealers

in 1986 said petroleum product sales accounted for 87.2% of their revenue.

A Closer Look

OK, so now that we've established that virtually all our respondents sell fuel oil and a clear majority sell gasoline, and that petroleum products represent their major source of income, we next polled marketers to indicate how important retail and wholesale sales of these products were to their operation.

We asked them to list these products as either primary or secondary sources of income in their overall operations and the results are shown in **Table 3**.

Just under three-quarters said retail fuel oil sales are a primary source of income for them, although the responses from the various regions varied dramatically. Once again, Northeast marketers were more heavily involved in retail fuel oil sales, with more than 97% in New England and the Mid-Atlantic region saying that it is a primary source of income. Virtually none said that it was only a secondary source.

Marketers in other sections of the country as less dependent on retail fuel oil sales, with just 44.2% of the Western dealers saying that it was primary.

Bulk fuel oil sales is primary to 27.4% nationally. The same differences are evident between the Northeast and the other sections. New England and Mid-Atlantic dealers depended less on bulk sales, either as a primary or secondary source of business income, than marketers outside these areas of the country.

The importance of retail and wholesale gasoline sales also shows the same geographical differences. Only a small percentage of the Northeasterners depend on gasoline, retail or wholesale, as either a primary or secondary source of business income.

Retail gasoline is a major source to a majority of Midwesterners, and nearly half of Southerners and Westerners. Bulk gasoline is primary to more than half of the Western marketers and almost 45% of the Midwestern and Southern respondents to our survey.

All the national averages in Table 3 are within five points of last year's totals. It must be noted that there was an error in the published figure last year under primary bulk

Fig. 1: Marketers Selling Fuel Oil and Gasoline 1978-1989

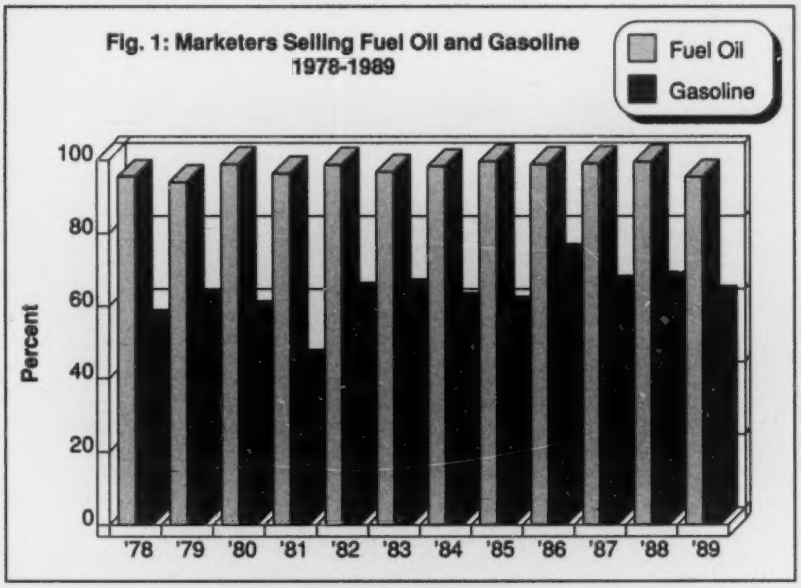


TABLE 7
Total Annual Company Dollar Revenues
(% of marketers in each category)

	Less than $1 Million	$1-$5 Mil.	$5-$10 Mil.	$10-$25 Mil.	$25 Mill. +
New England	38.1	45.2	7.1	4.8	4.8
Mid-Atlantic	40.5	40.5	7.1	9.5	2.4
South	23.9	53.5	9.3	9.3	*
Midwest	36.2	46.5	14	7	2.3
West	20.9	48.8	2.3	4.7	*
All Sections	31.9	46.9	8	7.1	1.9

* - Less than .1%

TABLE 8
Pre-Tax Earnings
(% of marketers in each category)

	Less than $50,000	$50,000 - $100,000	$100,000 - $200,000	$200,000 - $500,000	$500,000 +
New England	17.6	50	8.8	8.8	14.7
Mid-Atlantic	32.4	29.4	20.6	5.9	14.7
South	47.2	27.8	16.7	8.3	*
Midwest	40.5	27	13.5	16.2	2.7
West	25.6	17.9	23.1	20.5	12.8
All Sections	32.7	30.4	16.5	11.9	9

* - Less than 0.1%

TABLE 9
EDP Use
(% of marketers using computers)

New England	69.8
Mid-Atlantic	83.7
South	49.8
Midwest	53.5
West	65.1
All Sections	64.4

TABLE 10
Computer Applications
(% of marketers using EDP for listed operations)

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Accts Rec/Billing	100	88.9	95.8	100	92.9	95.5
General Ledger	75.9	77.8	76.2	78.3	89.3	79.5
Accts Payable	58.6	66.7	71.4	82.6	78.6	71.6
Delivery Sched	100	69.4	42.9	26.1	42.9	56.3
Inventory Recon	48.3	33.3	71.4	56.5	60.7	54
Excise Tax	44.8	33.3	57.1	65.2	42.9	48.7
Word Processing	58.6	33.3	19	56.2	60.7	45.6
Payroll	27.6	36.1	47.6	52.2	50	42.7
Fixed Assets	20.7	36.1	28.6	34.8	42.9	32.6
Pricing Analysis	13.8	19.4	23.3	4.3	32.1	18.6
Supplier Costs	6.9	19.4	23.3	4.3	35.7	17.9
Oil Price Info	10.3	19.4	19	17.4	21.4	17.5
Comm w/Stations	6.9	8.3	9.5	4.3	28.6	11.5

TABLE 11
Trucks Per Marketer

	Average No. Delivery Trucks	Average No. Trailers	Average Size Largest	Average Size Smallest	Opt. Size Preferred
New England	4.2	0.8	3,026	2,544	2,932
Mid-Atlantic	5.3	0.8	3,150	2,295	2,977
South	3.7	0.9	2,379	1,756	2,300
Midwest	3.4	0.6	2,479	1,870	2,309
West	4.4	1.1	2,660	1,746	2,825
All Sections	4.2	0.8	2,739	2,042	2,669

TABLE 12
Engines by Type
(% of readers)

	USE			PREFER	
	Diesel	Gasoline	Both	Diesel	Gasoline
New England	60	10	30	82.5	7.5
Mid-Atlantic	38.1	14.3	47.6	88.1	4.8
South	9.3	41.9	39.5	48.8	37.2
Midwest	20.9	44.2	32.6	53.5	30.2
West	20	25	55	67.5	15
All Sections	29.7	27.1	40.9	68.1	18.9

Truck Tanks by Type
(% of readers)

	USE			PREFER	
	Steel	Alum	Both	Steel	Alum
New England	17.9	28.2	53.8	12.8	74.4
Mid-Atlantic	29.7	27	43.2	18.9	75.7
South	41.9	11.6	30.2	25.6	51.2
Midwest	69.8	2.3	20.9	41.9	20.9
West	42.5	20	35	37.5	50
All Sections	40.4	17.8	36.6	27.3	54.4

gasoline sales. The actual percentage should have been 35.2%, not 5.2% as printed. Oops.

Table 4 breaks down sales of petroleum products even further and shows the average percentages of home heating oil, commercial and industrial fuels, diesel, gasoline, etc. No.2 oil is still the biggest seller, accounting for more than half of all petroleum product sales nationwide.

The regional picture shows a different story, however, with only the Northeastern marketers selling a majority of No.2 among products handled. Midwesterners sell more gasoline than fuel oil, and Southern and Westerners are more balanced in their sales of these two products.

Note that sales of kerosene (No.1), as well as commercial and industrial fuels, are virtually insignificant in total sales, accounting for less than 10%, even when added to Lpg and "other" (lubes and machine oils). The only real sellers are No.2, diesel and gasoline.

Size of Businesses

Table 5 attempts to provide some averages as to the volume and number of accounts served by heating oil merchants. This year's average volume of 1.79 million gals. of fuel oil is down about 120,000 gals. from 1988. This drop possibly is attributable to the mild winter of 1988-89, because the drop is significant in the Mid-Atlantic where it was balmy throughout the supposedly coldest months of the year.

The Midwest and New England actually gained some over the previous year, while the South stayed about the same and the West went down about 600,000 gals. **Figure 2** shows that the average volume has been cyclical in the 12 years we've been publishing this study.

There's been a downward trend since 1986 in both fuel oil and gasoline volume, perhaps due in part to rising prices since the collapse in '86. Gasoline volume, as noted in Figure 2, is down from last year significantly. The rise in pump price since last fall no doubt has a lot to do with this drop in demand. Only the Midwest showed an increase from 1988, with all the other sections reporting lower gasoline volume to the tune of 30% or more.

The average number of customers per marketer also shows cyclical action as shown in **Figure 3**. This year the average was down

about 150 from 1988, to a national mean of 1,363 customers per marketer.

New England and Mid-Atlantic marketers average more than 2,000 customers each and Western dealers have almost 1,200, but the lower figures in the South and Midwest pull the overall average down. Except for New England, the regions all had reductions in the average number of residential customers.

Commercial/industrial customers actually grew on average this year, from 204 in 1988 to 238 per marketer. The South took a real axing, but the other sections posted healthy gains in C/I business.

The less than 10% change from last year probably doesn't signal a trend, however, just a statistical deviation. The average residual oil volume per marketer stayed about even with last year's figure, down maybe 3,000 gals. nationwide.

Table 5 also shows the average number of employees per marketer responding to our questionnaire. That figure of 11.9 is exactly the same as 1988, although there's been some variations in the regions. New England marketers added 10 more employees (or perhaps this year counted the ones who were hiding last year), while the other sections reported small reductions in their work forces, making for a net change of zero.

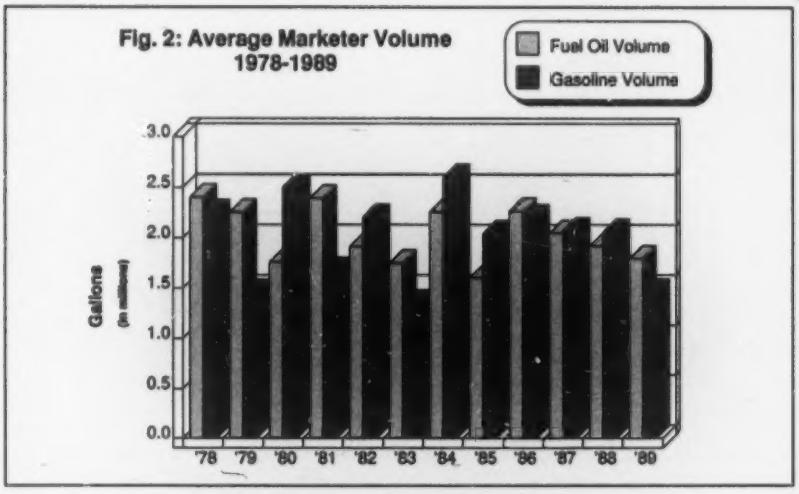
It's no mystery as to where the fuel oil is being sold by marketers. **Table 6** shows that more than 80% of their customers are private homes, with commercial and industrial customers representing a combined 13.7% and the remainder being apartments, educational institutions, hospitals and "other" (which we didn't bother to list — such as agricultural).

This table hasn't changed much in the 12 years we've published it, so it's evident that there hasn't been any shift in the market characteristics for our industry, nor is there likely to be any change in the future. Single family homes are the home heating oil marketer's bread and butter.

Dollars and Cents

Tables 7 and **8** are pretty self-explanatory and show the percentage of marketers who reported dollar revenues and pre-tax earnings at the levels indicated.

More than three-quarters of our panel have total revenues of under



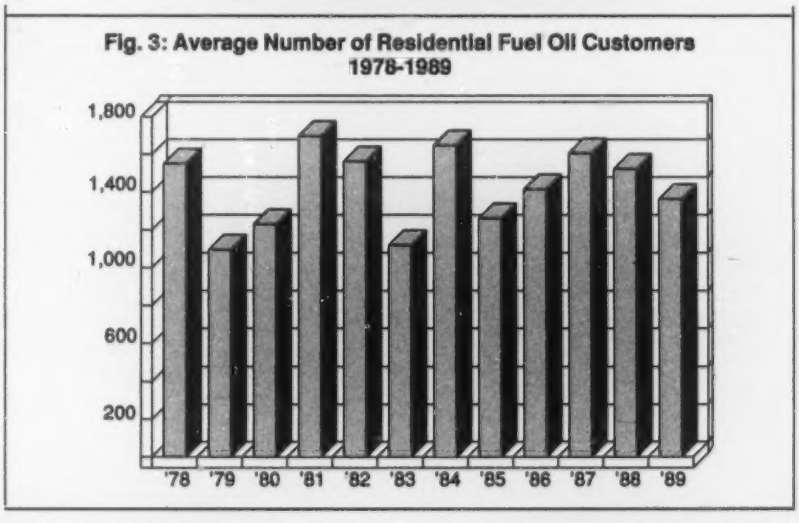


TABLE 13
Average Age of Trucks

	Year of Oldest	Year of Newest
New England	1976.8	1986.1
Mid-Atlantic	1973.1	1983.6
South	1975.4	1984.4
Midwest	1978.1	1986.3
West	1971.2	1981.8
All Sections	1974.9	1984.4

Percent Buying This Year

	New Truck	New Tank
New England	48.6	18.9
Mid-Atlantic	27.9	4.7
South	18.6	16.3
Midwest	20.9	14
West	34.9	16.3
All Sections	30.2	14

TABLE 14
Average Drop in Gallons

	275-gal. Tanks	550-gal. Tanks
New England	172.9	347.8
Mid-Atlantic	176.6	368.5
South	171.9	342.4
Midwest	180.9	403.2
West	170.8	358
All Sections	174.6	364

TABLE 15
Percent Using Two-Way Radio

New England	65.1
Mid-Atlantic	79.1
South	37.2
Midwest	69.8
West	53.5
All Sections	60.9

$5 million (categories 1 and 2 of Table 7) and pre-tax earnings of less than $200,000 (categories 1-3 of Table 8). Neither table shows much change from previous years – the majority of oil heat marketers are small companies, with only a few Petro's and Meenan's around.

There was one significant change in the regional tallies. The percentage of Midwesterners with revenues under $1 million jumped from just 8.8% last year to 36.2% in 1989. There was a corresponding drop in the percentage in the $1 million to $5 million column, from 70.6% last year down to 46.5% in '89. This was the only change of note in any of the regional figures in Tables 7 and 8.

Computers

Nearly two-thirds of the marketers we polled said they use computers for at least some of their operation, as shown in **Table 9**. More than 83% of the Mid-Atlantic marketers checked "yes" to this question, the highest group. Only 49.8% of Southern dealers said they use computers, the only section with less than a majority.

The overall trend toward the use of computers is nicely demonstrated in **Figure 5**, which shows the percentage who responded positively to this question over the past 12 years. With the ever cheaper price of computer hardware and growing acceptance of PCs in the workplace, it's hard to believe that anyone still would be holding out.

Table 10 reveals how marketers are using their computers. Accounts receivable/billing leads the list, with more than 95% of the marketers who said "yes" in Table 9 using their computers for this function. General ledger is second, with accounts payable and delivery scheduling third and fourth, respectively. The top three are unchanged from last year (their overall rank, not the percentages). Delivery scheduling moves up from seventh place last year, with all the other uses pushed down one peg.

Computers used to be the hot topic in the industry but they've become so commonplace that they're scarcely worth talking about much anymore. There seem to be a growing number of vendors who are selling software packages to marketers. The latest thing is heat loss calculation programs, which have become quite sophisticated and easy to use. We counted at least three different firms showing such products at industry trade shows this past year.

Of course integrated heating oil marketing software has come a long way since the 1970s when it was first introduced via time sharing services such as Petrodata. Now they're being run on PCs instead of minis, with the cost a great deal less than systems just a few years ago. You also get more for your money as the software continuously has been improved and expanded.

Rolling Stock

Marketers are reducing their rolling stock as shown in **Figure 4**. In the 12 years that we've been tracking the average number of trucks per marketer, there has been two periods of steady decline. The first from 1981 to 1985, and the second since 1986. The "peaks" in this

TABLE 16
Dealers Trading on the Oil Futures Market

New England	27.9
Mid-Atlantic	4.6
South	7
Midwest	2.3
West	2.3
All Sections	8.8

Fig. 4: Average Number of Delivery Trucks per Marketer 1978-1989

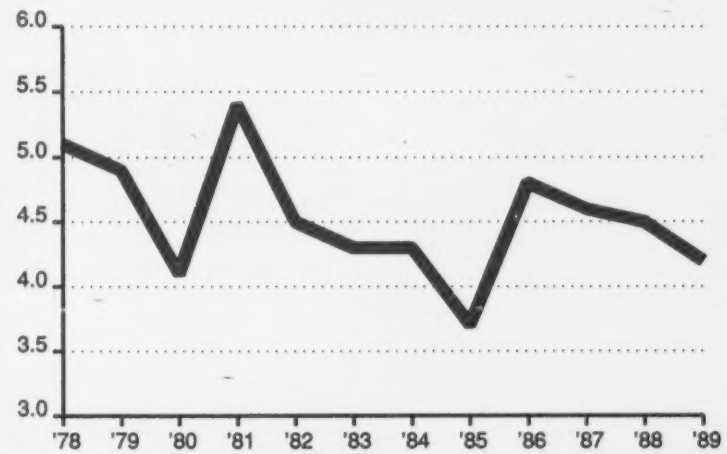


TABLE 17
Dealers Operating Bulk plants (in %)

	With Bulk Plants	Bulk Plants Storing Other Products
New England	48.8	47.6
Mid-Atlantic	58.1	68
South	90.7	84.6
Midwest	90.7	94.9
West	76.7	93.9
All Sections	73	77.8

TABLE 18
Average Storage Capacity in Gals.

	No. 2 Oil	Diesel	Gasoline	Lpg	Kero
New England	215,143	25,900	22,400	11,510	4,400
Mid-Atlantic	262,208	9,571	53,916	15,500	23,600
South	36,257	24,750	63,172	I.D.	22,684
Midwest	105,579	59,357	44,691	21,375	28,464
West	89,030	84,900	93,208	29,300	I.D.
All Sections	141,643	40,896	55,477	19,421	19,787

I.D. - Insufficient Data

chart correspond with the periods when fuel oil volume increased, as shown back in Figure 2.

The average marketer now operates 4.2 delivery trucks, down 0.3 from 1988. In addition, marketers operate an average of 0.8 tractor-trailers, down 0.1 from last year.

To compensate for the reduction in the fleet size, marketers are increasing the size of the tanks on the rigs they retain. The average size for the largest tank in dealer fleets is 2,739 gals., compared with 2,692 gals. last year. The average size of the smallest delivery truck tank is 2,042 gals., up 118 gals. from the 1,924 gals. posted last year.

That's an average increase of 80 gals. (taking the average of the 40 gal. increase in the largest and the 120 gal. increase in the smallest). Marketers' ideal tank size has also risen, to 2,669 gals. this year compared with 2,571 gals. in '88. We asked dealers what they thought was the optimum size tank for their particular area and needs, and this was the average figure they came up with.

Gasoline vs. diesel; steel vs. aluminum...two questions we ask every year with predictable results. The national figures in **Table 12** haven't changed much, and most of the regional changes exists in the trend toward the "both" column in both engine and tank construction categories.

The number of New Englanders who operate diesel-only fleets is exactly the same as last year, but the number of gasoline-only has halved. There were similar but less dramatic changes in the other sections as well. In terms of preference, slightly more gave the nod to diesel this year (68.1% nationwide in '89 vs. 62.9% last year).

Less than half of the Southern marketers preferred diesels, but then only 37.2% preferred gasoline, so there was a considerable number on the fence, as is true in most sections.

A majority of dealers (54.4%) prefer aluminum tanks, although

Fig. 5: Marketers Using Electronic Data Processing 1978-1989 (in percent)

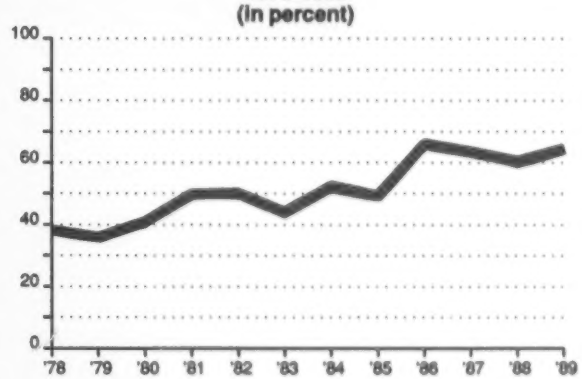


TABLE 19
Dealers Using Additives (in %)

	Using Additives	Blended at Bulk plant	Blended on Trucks	Blended in Cust Tanks
New England	51.2	22.7	45.5	45.5
Mid-Atlantic	44.2	21.1	42.2	52.6
South	39.5	41.2	47.1	29.4
Midwest	62.8	44.4	48.1	44.4
West	39.5	23.5	47.1	41.2
All Sections	47.4	30.6	48	42.6

TABLE 20
Percent of Fuel Oil Dealers Who Sell, Install and/or Service All Types of HVAC Equipment

New England	100
Mid-Atlantic	100
South	20.9
Midwest	34.9
West	34.8
All Sections	58.1

TABLE 21
Sources of Business Income (% of dealers reporting)

	Heating Equipment			
	Retail	Wholesale	Air Conditioning	Other
New England	93	16.3	37.2	14
Mid-Atlantic	98	16.2	51.2	14
South	20.9	7	16.3	4.7
Midwest	34.9	14	23.3	23.3
West	23.3	9.3	9.3	18.6
All Sections	53	12.8	27.5	14.9

TABLE 22
Trends in Equipment Sales Past 12 Months (% of dealers reporting)

	Residential Up	C/I Up
New England	65.1	23.3
Mid-Atlantic	69.8	11.6
South	30	10
Midwest	4.7	I.D.
West	33.3	20
All Sections	40.6	16.2

I.D. - Insufficient Data

steel is preferred more in the Midwest. Steel-only fleets are more prolific, with 40.4% of our marketers saying all their tanks are steel, compared with just 17.8% that are all-aluminum and 36.6% that have both steel and aluminum tanks.

The age of truck fleets is another important indicator. It makes sense that for the age of marketer fleets to maintain status quo, the difference between the average age of the oldest and newest trucks should go up one year with every survey. If it goes up more than one year, this indicates that marketers are upgrading their fleets at a faster pace, if it doesn't go up at least one year, marketers are holding off in buying new rigs.

This average age in 1988 was 1978.7, which was arrived at by averaging the ages of the oldest and newest trucks in marketers fleets. This year, the number is 1979.7, exactly one year more. This means that dealers are at least maintaining their fleet replacements at the same pace as last year.

The average age of the oldest truck in marketer fleets is about 15 years (1974.9). That's up from 1974.3 last year, less than one year's difference, which means that the oldest trucks are still on the road to some degree. The average age of the newest trucks is 1984.4, up from 1983.1 last year. This suggests that dealers are replacing old trucks at a greater than one-to-one ratio.

When asked if they were planning to purchase a new truck within the next 12 months, 30.2% said "yes." That's down about 1.7% from the number who answered positively to this question last year. Another 14% plan to put a new tank on an existing truck. That's also down from last year, when the figure was 20.2%.

Trucks represent the biggest investment for a marketer short of a building or tank farm. Truck and tank manufacturers are an important supplier to the oil heating industry and their performance is an excellent barometer on how the industry itself is doing. When the tank truck guys are slow, the oil heating marketers are slow too.

Trucks deliver the life's blood of the heating oil industry, and marketers average about 174.6 gals. delivered to 275-gal. tanks, according to our survey. For 550-gal.

TABLE 23
Percent of Fuel Oil Dealers Who Sell, Install and/or Service Selected HVAC Equipment

RESIDENTIAL

	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	100	7	97.7	67.4	79.1
Mid-Atlantic	97.7	37.2	88.4	93	67.4
South	70	30	60	30	10
Midwest	53.3	16.7	20	33.3	13.3
West	93.3	20	53.3	53.3	26.7
All Sections	**82.9**	**22.2**	**63.9**	**55.4**	**39.3**

COMMERCIAL

	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	72.1	25.6	60.5	65.1	46.8
Mid-Atlantic	53.5	18.6	39.5	46.5	30.2
South	30	20	30	30	10
Midwest	6.7	I.D.	I.D.	I.D.	I.D.
West	53.3	20	26.7	20	16.7
All Sections	**43.1**	**21.1**	**39.2**	**40.4**	**28.4**

I.D. - Insufficient Data

TABLE 24
Percent of Fuel Oil Dealers Who Sell, Install and/or Service Selected HVAC Equipment

RESIDENTIAL

	Unitary Air Conditioning	Electric Resistance	Insulation	Solar
New England	28.2	11.6	4.7	23.3
Mid-Atlantic	44.2	9.3	7	7
South	30	20	*	*
Midwest	*	*	*	*
West	13.3	13.3	6.7	6.7
All Sections	**23.1**	**10.8**	**3.7**	**7.4**

COMMERCIAL

	Unitary Air Condition	Electric Resistance	Insulation	Solar	Refrig
New England	9.3	2.3	*	*	2.3
Mid-Atlantic	9.3	4.7	2.3	4.7	4.7
South	10	10	*	*	*
Midwest	*	*	*	*	*
West	16.7	*	6.7	6.7	6.7
All Sections	**9.1**	**3.4**	**1.8**	**2.3**	**2.7**

* - Less than .1%

tanks, the average drop is 364 gals.

Table 14 shows that there isn't much variation between the sections in the 275-gal. category; there's a reasonable spread of 60 gals. in the 550-gal. category. The bottom line, however, is practically identical to last year's totals of 183.3 gals. and 364.6 gals., respectively.

Trucks also carry two-way radios, at least in 60.9% of our respondents' trucks. That figure, shown in **Table 15**, is up two points from last year. Southern dealers use radios the least – only 37.2% said they have them. Maybe they can yell louder than other marketers.

Table 16 shows the percentage of marketers who trade oil futures. This figure of 8.8% is up 0.4% from 1988, but down from its peak of a bit more than 10% a few years ago. Futures trading is a tricky business and can get you in a lot of trouble if you aren't very careful. Marketers who use it as a hedging tool can improve their profitability, but speculators can get wiped out faster than in Atlantic City.

New Englanders seem to be most heavily involved with futures, judging from the results of our survey. Nearly 28% said they were trading in oil futures. The Mid-Atlantic region, which was once the leading area of futures traders partly because of the proximity to the delivery locations of NYMEX futures, has dropped considerably. Last year more than 11% of the marketers surveyed there said they traded futures. This year, the percentage has dwindled to 4.6%. Meanwhile, the Midwestern and Western dealers have taken up the slack.

TABLE 25
Percent of Fuel Oil Dealers Who Sell, Install and/or Service Selected HVAC Equipment

RESIDENTIAL

	Furnaces	Warm Air Systems	Central Air Condition	Heat Pump	Cont Air Circ
New England	100	97.7	39.5	9.3	4.7
Mid-Atlantic	97.7	88.4	58.1	11.6	7
South	80	50	40	10	I.D.
Midwest	33.3	20	13.3	16.7	I.D.
West	100	86.7	20	20	6.7
All Sections	82.2	64.6	34.2	13.5	6.1

COMMERCIAL

	Furnaces	Warm Air Systems	Central Air Conditioning	Heat Pump
New England	62.8	51.2	30.2	7
Mid-Atlantic	46.5	32.6	14	11.6
South	40	20	30	*
Midwest	I.D.	I.D.	I.D.	I.D.
West	60	33.3	6.7	13.3
All Sections	52.3	34.3	20.2	8

* - Less than .1%
I.D. - Insufficient Data

TABLE 26
Average Number of Units Installed in Past 12 Months

	RESIDENTIAL			COMMERCIAL		
	Burners	Boilers	Furn	Burners	Boilers	Furn
New England	30.9	24.3	16.9	0.9	0.8	0.7
Mid-Atlantic	33.9	25.7	41.2	7	4	7.6
South	4.1	2.3	6.3	0.6	0.6	0.2
Midwest	9.3	1.1	26.9	*	*	*
West	73.3	4.5	24.1	2	0.1	1.5
All Sections	30.3	11.6	23.1	2.1	1.1	2

* - Less than 0.1
I.D. - Insufficient Data

Bulk Plants

Slightly fewer marketers than last year indicated that they operate bulkplants for the storage of heating oil. **Table 17** shows that 73% of the marketers questioned said they do have distillate storage. Of that 73%, 77.8% also store other fuels such as kerosene, gasoline, diesel and Lpg.

Table 18 shows the average capacities for various petroleum products stored at marketer bulk plants. Far and away the largest is No.2 oil, with an average capacity of more than 141,000 gals. That's up 30,000 gals. or so from 1988. Marketers also store an average of 55,000 gals. of gasoline, 40,000 gals. of diesel and nearly 20,000 gals. of Lpg and kero. That's a combined total of more than 277,000 gals.

If all the tanks were full, that would represent a considerable inventory worth as much as $200,000 or more. Not turning this inventory over would severely hurt most organizations.

A growing number of marketers are using additives, which many say is because of the erratic composition of fuel oil these days. About 47% say they use additives, 10% more than so stated last year. These additives are blended either at the bulkplant (said 30.6% of our respondents), on trucks (said 46%) or right in the customer tanks (as do 42.6% of the marketers surveyed). Some do a combination of two or three of these, which is why the figures don't add up to 100%.

Southern and Western dealers use additives the least – just 39.5% each. Midwesterners are at the other extreme with 62.8% of our

followed closely by residential furnaces. Very little is being done in the commercial/industrial market.

Table 27 gives a breakdown on service departments. As we discussed earlier, the number of marketers who service equipment is up from last year even though the overall trend is downward. This year, 58.1% of our panel nationwide said they operated in-house service departments. The Northeast is almost 100% and the other sections far less than half.

The average number of service calls made is 1,284, down about 600 from last year. We forgot to clarify this question so we aren't sure how many of the marketers included annual tuneups in this figure and how many counted just breakdowns. The average marketer with a service department carries around $27,769 in parts inventory, according to our survey. That figure is up $3,000 from last year, surprising in light of the fact that the number of service calls is down.

Less than half of the service departments are profitable. This trend also is a reversal of previous years, which showed a growing number of marketers who operated at break-even or better. Last year, some 55% said their departments were profitable. The main drop occurred in the Midwest, which went from 66% profitable last year to just 30.8% in '89. The number of technicians on the payroll also dropped this year, one full person. Last year, the average marketer with a service department employed 4.1 technicians. Now they've only got 3.1 mechanics.

We expanded the service questions this year to include the number of marketers planning to buy new service trucks in the next 12 months. The average marketer has 2.9 service vans now (that's down from 4.1 vans per dealer last year). Some 23.9% say they're going to buy new vans in 1990. The average number they're planning to buy is one van. This sounds like a broken record, but the Northeast leads in the percentage of marketers buying new trucks this year, as well as the average number of vans per marketer.

TABLE 30
Percent Recommending Equipment Replacement Under Following Conditions

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Boiler leaks	81.4	92.9	40	90	71.4	75.1
Unit continuously problematic	58.1	73.8	80	90	57.1	71.8
Emits fumes	62.8	54.8	50	100	64.3	66.4
Operates with no problems, but old & inefficient	62.8	76.2	50	70	50	61.8
Homeowner objects to heating bills	41.9	42.9	40	40	42.9	41.5
Breaks down	30.2	45.2	20	50	42.9	37.7
Homeowner threatens to convert to another fuel	23.3	31	30	40	35.7	32
Unit is inefficient (but not necessarily old)	25.6	57.1	10	40	14.3	29.4

TABLE 32
Percent Indicating Major Factor in Brand Selection

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Quality of construction	68.6	64.4	33.3	60	100	65.3
Combustion efficiency	45.1	55.6	30.3	30	90	50.2
Ease of service	19.6	28.9	16.7	26.7	50	28.2
Low incidence of service	27.5	32.2	13.3	13.3	30	23.3
Durability	13.7	13.3	23.3	*	40	18.1
Long warranty	15.7	7.8	20	16.7	30	18
Quietness	4	4.4	[illegible]	16.7	50	15.7
Compactness	8.9	*	[illegible]	1	20	5.6
Low retail price	2	4.4	*	3.3	10	3.9
High markup opportunity	2	*	*	*	10	2.4

* - Less than .1%

Marketing

Just 40% of our panel say that natural gas is a major threat to their businesses. That's 29% less than last year. Also, 20% fewer said they were losing customers to natural gas -- 54.4% this year vs. 75.3% in '88. Western dealers seem particularly vulnerable, with 60% reporting that gas was a major threat and 100% saying they're losing customers to the competitive fuel. See **Table 29** for more details.

The average dealer loses about 15 customers per year, and 53.1% of the dealers are taking steps to combat these loses. When all else fails, about 14.7% will do the actual conversion to gas. We're happy that this number is down from 32.9% who said they did gas conversions last year.

Table 30 shows the percentage of dealers who recommend equipment replacement in the listed cir-

TABLE 31
Dealers Who Recommend Equipment Replacement by Brand

	% Recommend Brand Names	% of Cust Following Recom
New England	76.7	89.7
Mid-Atlantic	78.6	91.4
South	60	61.3
Midwest	70	81.9
West	57.1	65.6
All Sections	68.5	78

cumstances. There has been some repositioning with regard to rank from last year. The first and second conditions reversed. Last year, "unit continuously problematic" was the leading candidate for replacement. This year it's a leaking boiler. Some of the others also moved around in the rankings.

We like to show **Table 31** to our advertisers because it encourages them to keep advertising. Nationally, 68.5% of the dealers surveyed said that they recommend equipment replacement by brand name and 78% of the recommendations are followed. That means that the dealer has a lot of clout with the buyer, who trusts the marketer's judgement three-quarters of the time. Incidentally, the figures are even higher in the Northeast, where the bulk of oil heating equipment is sold.

Why do dealers select equipment? **Table 32** provides a consensus of opinion on the various factors affecting their selection. Quality of construction, combustion efficiency, ease of service and low incidence of service are 1,2, 3 and 4, which they were last year and have been since we began asking this question several years back. There are some differences between the regions, but overall, these factors are pretty consistent year-to-year.

Table 34 is new. We added these questions this year in order to find out if marketers have finally gotten up off their duffs in order to get new business. There has been too many years of waiting for the phone to ring on the part of the oil heat industry, which gave the competition the opportunity to take a lot of business away from us. What does Table 34 indicate? Some good news and some bad.

First the good: almost three-quarters of the marketers polled do at least some advertising of their own in addition to whatever is being done by their associations. Something less than half are doing direct mail, which may be good in a way. In the past, many marketers relied totally on bill stuffers as their sole means of communicating with their customers.

This method of course didn't sell new business and has been demonstrated to be a poor way of publicizing products and services. Perhaps the fact that less than half of the marketers polled say they do direct mail means that at least they've begun to recognize that cheap isn't the only criteria.

The bad news is that only 35% recognize the effectiveness of public relations and understand how to use it. This is a very effective means to publicize your company and build your image in the community. There are a number of ways of accomplishing it, such as through sponsorship of little league teams, donations to community causes, articles in the local newspapers and so forth.

The worst news is that only 55.3% of our panel belong to their local oil heat trade association.

Continued on page 93

TABLE 33
Retail Gasoline Outlets and Volume

	Avg. No.	Less Than 50,000*	50,000 - 100,000*	100,000 +*
New England	3.8	57.1	14.3	28.6
Mid-Atlantic	5.8	75	12.5	12.5
South	2.6	65.4	8.9	7.6
Midwest	1.4	77.8	14.2	14.2
West	5.7	61.1	33.3	5.6
All Sections	3.9	66.3	16.6	13.7

* Percent reporting such volume in gals. per month.

TABLE 34
How Dealers Market Their Products
(% indicating they use listed strategies)

	Advertising	Direct Mail	Public Relations	Belong to Trade Assn.
New England	79.1	46.5	44.2	74.4
Mid-Atlantic	83.7	65.1	32.6	67.4
South	72.1	25.6	34.9	46.5
Midwest	74.4	39.5	34.9	46.5
West	55.8	30.2	30.2	41.9
All Sections	73	41.4	35.4	55.3

TABLE 35
Industry Publications Most Helpful to Dealers In Operating Their Fuel Oil Businesses
(% reporting)

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Fuel Oil News	83.7	83.7	65.1	76.7	76.7	77.2
Fuelcil & Oil Heat	65.1	76.7	18.6	23.3	25.6	41.9
National Petroleum News	7	16.3	41.9	37.2	32.6	27
Petroleum Marketer	2.3	4.6	16.3	14	11.6	9.8
Other	14	*	7	9.3	7	7.5
Petroleum & C-Store Products	2.3	2.3	9.3	14	4.7	6.5
Oil Daily	2.3	*	9.3	7	*	3.3
Contractor	2.3	7	2.3	2.3	*	2.8
Journal of Petroleum Marketing	2.3	*	4.6	2.3	*	1.8
Snips	*	7	*	*	*	1.4

* - Less than .1%

Industry Survey

Continued from page 41

That's a disgrace, considering all that is being done to coordinate a national effort on behalf of oil heat. It means that 45% of the marketers in the country are getting a free ride!

Motor Fuels

Marketers operate an average of 3.9 gasoline outlets, two-thirds of which have volumes of less than 50,000 gals. per month. This fact according to **Table 33**. Surprisingly, Midwesterners have the lowest average and Mid-Atlantic marketers the highest.

The national average is down almost one unit from the 1988 figure posted, and a greater percentage of the stations report less than 50,000 gal. volume than in previous years.

Who's On First

Our traditional last question – **Table 35** – shows that *Fuel Oil News* still is the most helpful publication to dealers. We're way out in front as usual, which gratifies us, as usual.

The Verdict

This, then, is our 1989 assessment of the heating oil industry. We closed our 1988 survey saying that we "...anticipate that our next survey will be relatively unexciting. There isn't anything on the horizon that suggests severe difficulties. The oil heat industry is solid and continuing not only to maintain its market share but also to win the all-important new home segment."

I believe that the facts have borne out this prediction. This year has been a relatively uneventful one. Prices have been firm and supply abundant. There hasn't been any drastic new legislation or bold new actions from the competition. It was kind of a breather.

However, we anticipate that 1990 will see increased pressure on our market. There are dark clouds on the horizon. Natural gas will once again seriously threaten our viability because of their victories in new pipeline development and renewed confidence in their ability to slug it out with us in the media.

Prices have been high, supposedly due to OPEC's recent ability to hold the line on production. Continuing problems with tank regulations and liability insurance will wreak havoc on marketers in 1990 and there could be even greater rivalry among the various industry factions.

All in all, it appears to be a year upcoming that will be interesting, to say the least. We hope that the figures provided herein help you determine how you stack up vs. your peers and how you can deal effectively with coming events. For manufacturers, we hope these statistics will give you a better picture of how to best serve the oil heating industry.

Again, we thank everyone who participated in the survey. *F•N*

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